IV. ONE YEAR ACTION PLANS

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

1. Introduction

Under the Michigan CDBG Program, all projects must meet one of the following national objectives and the attending statutorily mandated requirements to be considered for funding:

- The activities will benefit persons of low and moderate income, as defined by Section 104(b)(3) of the Housing and Community Development Act and 24 CFR 570.483;
- The activities will aid in the prevention or elimination of slums or blight, as defined by 24 CFR 570.483; or
- The activities are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, where the community is unable to finance the activity on its own and where other financial resources are not available to meet such needs, as defined by 24 CFR 570.483.

2. Eligible Activities

Activities cited in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, are eligible for assistance.

COSTS OF PREPARING GRANT APPLICATIONS ARE NOT ALLOWABLE.

3. Eligible Applicants

Small cities, townships, and villages of less than 50,000 in population, and non-urban counties generally are eligible to apply for grants under the Michigan CDBG Program. There are over 1,600 eligible general purpose local governments and these governments are referred to as nonentitlement jurisdictions.

4. Ineligible Applicants

The following counties and their respective units of local governments are not eligible:

Genesee County (The Cities of Flushing and Linden are the two communities in Genesee County eligible to apply for Michigan CDBG funds)
Kent County (Cedar Springs is the one community within Kent County eligible to apply for Michigan CDBG funds)
Macomb County
Oakland County
Wayne County

Washtenaw County and the following units of government within the county are not eligible for Michigan CDBG funds:

Ann Arbor City	Pittsfield Township	York Township
Ann Arbor Township	Scio Township	Ypsilanti City
Bridgewater Township	Salem Township	Ypsilanti Township
Northfield Township	Superior Township	

The following Michigan cities are not eligible to directly apply or directly receive Michigan CDBG Program:

Battle Creek	Kalamazoo	Niles
Bay City	Lansing	Norton Shores
Benton Harbor	Midland	Portage
East Lansing	Monroe	Port Huron
Holland	Muskegon	Saginaw
Jackson	Muskegon Heights	

Indian tribes eligible for assistance under Section 107(a)(7) of the Housing and Community Development Act are not eligible to directly apply for or directly receive Michigan CDBG funds, but an eligible county or township may apply for Michigan CDBG funds for projects located on Indian reservations if the unit of general local government has the legal authority to fund such projects on Indian reservations and Indian preference is not provided.

5. Allocation of Funds

During the 2007 program year, the State expects to receive approximately $36,400,000 from the U.S. Department of Housing and Urban Development (HUD) for the State of Michigan CDBG Program. The actual amount available may vary based on recapture and reallocation of other funds from previous allocations and the amount of program income received as well as the final appropriation. In addition, the actual distribution of allocated or unallocated amounts may vary according to the demand for funds and fundable grant applications. The initial and planned allocation of funds to individual categories will be on a pre-set percentage basis, which will be applied to the final funding amount. By definition, a substantial amendment to the Consolidated Plan would result from a change in the method of distribution of funds of said change, which will cause an increase or decrease in the original allocation mix of over 35%.

Initial distribution of HUD allocated funds, recaptured funds, and program income will be as follows:

CDBG Category	Allocation	Program Income	Total
1. Economic Development Grants	$20,244,600	$2,000,000	$22,244,600
2. Downtown Development	$ 6,161,400	0	$ 6,161,400
3. Housing Grants	$ 8,802,000	0	$ 8,802,000
4. Administration and Technical Assistance	$ 1,192,000		$ 1,192,000
Total	$36,400,000	$2,000,000	$38,400,000

Although the specific FY07 allocation is not known at the time of this submission, the following percentages of the allocation will be applied to the specific categories:

Economic Development	
Job Creation, Category A	59%
Job Creation, Category B	29%
Job Creation, Category C	12%
Planning	2.5%
Incubator/Entrepreneurial Development	7.5%
Elimination of Blight	10%
Assistance of Private and Nonprofit Businesses	15%
Infrastructure Capacity Enhancement	Balance Unobligated
Housing	
County Allocation	80%
Housing Resource Fund	20%
Downtown Development	
Business Development/infrastructure	30%
Façade	20%
Signature Building	22%
Land Assembly	0.5 %
Capacity Enhancement	22%
Planning/Marketing	4%
Innovative/Unique Downtown grants	1.5%

Other Funds. In addition to funds available for distribution, as allocated to the State by the federal government for the 2007 program year, other funds may become available for distribution. Such other funds may include:

- Unobligated grant balances allocated to the State under any previous program year;
- Unexpended grant obligations recovered under previous grants; and
- Any program income returned to the State below or above the estimated amount.

It is estimated that the State will receive approximately $2 million in program income during the 2007 program year. These funds will be redistributed by the appropriate State-administering agency (Michigan Strategic Fund or Michigan State Housing Development Authority) for eligible projects in accordance with requirements of the 2007 CDBG program guidelines.

A. COMMUNITY DEVELOPMENT BLOCK GRANT FOR HOUSING: ONE-YEAR ACTION PLAN

1. General

Under the County Allocation or Housing Resource Fund, as administered by MSHDA, CDBG funds may be used by a community to meet demonstrated housing needs. Activities eligible for funding include, but are not limited to:

- Rehabilitation for homeowner, homebuyer or rental;
- New Construction of rental or homebuyer; in participation with a qualified community-based organization;
- Acquisition of sites on which buildings will be constructed for use or resale, including down payment assistance;
- Emergency Repair assistance (limited to 15% of funds for homeowner assistance);
- Demolition in support of a housing program or neighborhood revitalization effort;
- Clearance of toxic contaminants of property to be used for new construction of housing;
- Infrastructure improvements essential to an affordable housing project or program in a targeted neighborhood where at least 51 percent of the residents have incomes not exceeding 80 percent of the area median incomes;
- Site improvements to publicly owned land to enable the property to be used for new construction of housing, providing the improvements are undertaken while the property is still in public ownership;
- Cost of disposing real property, acquired with CDBG funds, which will be used for new construction of housing;
- Public Improvements including acquisition, construction, reconstruction and/or rehabilitation (including removal of architectural barriers to accessibility) of neighborhood facilities;
- Beautification projects are eligible activities when proposed under a comprehensive neighborhood or community revitalization effort involving the preservation or creation of affordable housing. Beautification projects include, but are not limited to: landscaping, planters, creating or improving parking lots, and façade improvements;
- Rehabilitation and/or acquisition of buildings utilized to house the homeless;
- Applicants may propose to use up to 15% of their county allocation award for

public services which are directly related to supportive housing; and

- An applicant may request up to a maximum of 18 percent of a funding request for general administration. **Costs of preparing grant applications are not allowable.**

CDBG housing funds may be awarded to the following local units of government:

- Michigan non-entitlement counties.

- Non-entitled local units of government.

MSHDA has an allocation process for awarding non-entitled counties funding for housing projects. Because this program has historically been funded from CDBG funds, this process is discussed in more detail below. *

County Allocation Process. Counties are eligible for funding on a two year grant cycle. The amount of the county's allocation awarded will be primarily based on the county's population. For counties with entitlement communities located in the county, the populations of entitlement communities will be subtracted from the total county population. **Projected maximum allocations amounts are as follows:**

POPULATION	MAXIMUM AMOUNT *
0 - 5,000	$100,000
5,001 - 10,000	$125,000
10,001 - 20,000	$150,000
20,001 - 30,000	$175,000
30,001 - 40,000	$200,000
40,001 - 50,000	$225,000
50,001 - 60,000	$250,000
60,001 - 70,000	$275,000
over 70,000	$300,000

***MSHDA may make exceptions to allocations based on performance of a grantee, significance of project impacts on the community, needs of the community, overall demand for funds, and/or based on the availability of funds. MSHDA may also choose to award a county HOME funds for their allocation, especially where CDBG funds are needed for projects for which CDBG is an eligible and more appropriate funding source.**

A county grant limit may be applied by MSHDA in counties where the county elects not to operate a housing program and more than one community within the county requests funding. Limits may be applied by MSHDA in the following amounts:

$400,000:	when individual community grant requests within the county exceed this amount, and the county population exceeds 60,000;
$300,000:	when the individual community grant requests within the county exceed this amount, and total county population is greater than 20,000 and less than 60,000; and

$200,000: when the individual community grant requests within the county exceed this amount, and total county population is less than 20,000.

In the instance where a county elects not to operate a housing program, if more than one community within the county requests funding, the maximum grant award for those communities in total may be restricted to the maximum limit for that county, regardless of the population of those communities.

Housing Resource Fund. Additionally, some CDBG housing funds are used to support proposals by non-entitled local governments under the Housing Resource Fund. Activities funded by the Housing Resource Fund include homeowner, homebuyer and rental assistance as eligible using HOME or CDBG funding.

2. Project Term

Funds for the County Allocation may be awarded as early as January 1, 2007. CDBG funds for the Housing Resource Fund are awarded following publicly announced application windows. Grant terms for 2007 funds will generally be two years.

3. Threshold Requirements

In order to be eligible for funding, communities must meet the following minimum requirements:

a. A Community Development and Housing Needs Assessment. An assessment which identifies community development and housing needs and specifies both short and long term community development strategies must be submitted with the application.

b. Previous Performance. Each applicant previously funded will be evaluated on its previous performance. A grantee that has failed to meet previous grant agreement requirements, including commitment of funds, may be deemed ineligible to apply for an additional award.

Current County grantees are not eligible to apply for 2007 housing funds until at least 75 percent of their current grant funds, exclusive of administrative funds, have been <u>disbursed</u> or some unusual circumstance is involved to warrant a request to apply for additional funds.

Further, communities that have received Michigan County Allocation funds from fiscal year 2001 or earlier cannot apply for 2007 funds until any grants covering those years have been audited and closed.

c. Low and Moderate Income Benefit. Applications for Michigan county allocation funds provide the following low and moderate income benefits in accordance with the HUD Section 8 Income Limits:

- Single family, owner-occupied housing rehabilitation must provide 100 percent low/moderate income benefit. Therefore, 100 percent of the funds must be awarded to household with gross annual incomes 80 percent or less of the area median income, based on household size.

- A rental rehabilitation activity must assure at minimum that 51 percent of units after rehabilitation are occupied by low/moderate income households.

- In calculating the low/moderate income benefit for a demolition, infrastructure or public improvement project, at least 51 percent of the households served by the project must be low/moderate income.

- Applications with less than the above stated low/moderate income requirements will not be considered for funding.

d. Maximum Investment.

Homeowner rehabilitation assistance will generally not exceed $25,000 per unit, with the following exceptions:

- Substantial rehabilitation costs, including costs attributable to lead-based paint hazard remediation or abatement, not to exceed $35,000;

Homebuyer assistance programs include the following minimum guidelines:

- MSHDA Single Family asset limitation applies.

- Not limited to first-time homebuyers.

- Purchase price limit is the lesser of the HUD 203(b) limit or the appraised value.

- Homeownership education is required.

- Communities are expected to obtain leverage funds from other housing programs such as federal weatherization funding, Rural Development, and MSHDA PIP. Communities are also encouraged to provide leveraging dollars and in-kind services locally.

Rental rehabilitation assistance may be provided for city-wide programs or for targeted neighborhoods. The investor must contribute, at minimum, 25 percent of total development costs.

4. Project Selection

While a variety of housing activities are eligible for funds, the following guidelines must be considered when proposing a homeowner rehabilitation activity. The financing mechanism may be a deferred loan or may be forgiven at up to 10% each year during the 6th through 15th year following the provision of the assistance.

MSHDA requires the placement and recording of a lien on properties receiving CDBG assistance. Exception will be given to emergency repair loans where the cost of the repairs is at or below $2,500. Waivers will be considered for other unique circumstances on a case-by-case basis.

5. Public Services

The use of 15% of the county allocation for public services is restricted to supportive services directly associated with MSHDA or HUD funded supportive housing projects, including case management, enhanced management, and direct supports for persons residing in transitional housing for homeless households and/or in permanent supportive housing for homeless and/or special needs populations.

6. Award Process

a. County Allocation. Applications for awards will not be scored, but will be reviewed to assure that all threshold requirements are met and that the proposed housing program is acceptable.

If several communities located within a county where there is no countywide program apply for funding, it may be necessary to evaluate those applications against each other, due to limited funds available.

The following factors must be addressed adequately in applications for a housing proposal to assure favorable consideration:

- Total number of units to be rehabilitated in relation to community population and identified housing need;

- Estimated average and maximum total cost and average and maximum CDBG assistance per unit and the amount of funds to be leveraged;

- Level of improvement to be achieved in assisted properties. All properties assisted with CDBG funds must be brought up to Section 8 Existing Minimum Housing Quality Standards or UPCS, or its replacement. (NOTE: An exception can be made for an Emergency Repair Activity not to exceed 15 percent of the total grant);

- Administrative and staff capacity to manage program;

- A marketing plan to include "Affirmative Marketing";

- Percent of requested funds to be used for administrative purposes (18 percent maximum);

- The extent to which the proposal will further fair housing activities.

b. Housing Resource Fund. Projects are awarded CDBG funds where CDBG is a more appropriate funding source than HOME. Examples would include demolition, beautification, rental rehabilitation for mixed-income projects. Applications are funded based on:

- Prospect for substantial community impact;
- Compliance with federal regulations and MSHDA policy;
- Cost-effectiveness;
- Applicant capacity and track record.

7. Monitoring

MSHDA will monitor the implementation of these plans to determine that good faith efforts have been made to carry out the procedures and requirements specified in the plans, to determine if the objectives have been met, and to take corrective action as necessary.

8. Lead-Based Paint Hazards

In the County Allocation Program, all properties rehabilitated must meet HUD's Section 8 Existing Minimum Housing Quality Standards (HQS) or UPCS, or its replacement. As lead-based paint requirements are incorporated into HUD's standards, on a statewide level we are continuously addressing lead-based paint issues on housing rehabilitation projects. Note: An exception can be made for CDBG funded county allocations, as communities may request up to 15 percent of their homeowner rehabilitation funds be utilized for Emergency Repair Activities.

B. COMMUNITY DEVELOPMENT BLOCK GRANT FOR ECONOMIC AND COMMUNITY DEVELOPMENT: ONE-YEAR ACTION PLAN

The Michigan CDBG Program for economic and community development includes funding of grants for economic development public infrastructure, community and development planning, incubator/entrepreneurial development for job creation, elimination of blight, infrastructure capacity enhancement, economic development assistance for private and/or non-profit business development, downtown business development/infrastructure, downtown façade, downtown signature building, downtown land assembly, downtown capacity enhancement, downtown planning/marketing, and innovative/unique downtown grants Program administration is divided between the Michigan Strategic Fund and the Michigan State Housing Development Authority as more fully described later in this section.

National Objectives. In order to qualify for CDBG funding consideration, all economic and community development projects must meet a federally required national objective, which includes providing direct benefit to low and moderate-income people or elimination of slum and blight. Area-wide benefit projects must provide benefit to the entirety of the unit of general local government, census block groups, or surveyed and survey approved neighborhood populations, and no more than that population. Economic development job creation projects must result in job creation and increased employment opportunities where at least 51 percent of the jobs are made available to, or held by, low and moderate-income people. Planning projects must be considered as leading to development projects which will benefit individuals and populations made up of at least 51 percent by individuals residing in very low, low, and/or moderate-income households. Downtown projects must result in job creation or area-wide benefit.

Very low, low, and moderate-income limits are defined each year by the U.S. Department of Housing and Urban Development (HUD), and identifies qualifying household income levels by household size. Typically the low and moderate-income level is 80 percent of the county median family income and is based on the income level of the household and not the individual filling the job. For job creation, the very low, low, and moderate-income requirement is applied at the time of hire. For job retention and community development, the eligibility requirement is applied at the time of application for CDBG funds.

Jobs are defined as full time and full-time equivalent permanent positions, which do not include construction jobs, temporary jobs, or layoff recalls. Only those jobs, which are created, or retained, during the grant project period, will be considered in meeting the national objective and selection criteria. The State will make a final determination of the actual number of jobs created, or retained, and the actual number of jobs available to, or held by very low, low, or moderate-income people at the time the project is officially closed out by the State and will be based on documentation provided by the local government grant recipient.

Funding Cycle, Proposal Review and Project Limitations. Proposals are considered on a continuous basis and applications for economic development, downtown infrastructure, and planning projects may be submitted at any time during the year. Applications for competitive allocations will be preceded with announcements to potential applicants, which will identify specific screening criteria as well as the selection priorities. The competition will be publicly announced and advertised. Approved projects will include only those activities identified in the Annual Action Plan.

To receive consideration for funding, an eligible local government must prepare and submit a Notice of Intent (NOI). The NOI is a three-page form providing basic information on the proposed project, project activities, and a summary of the project budget including grant funds being requested and other funds supporting the proposed project. The NOI is reviewed by the appropriate administering State agency (Michigan Strategic Fund or the Michigan State Housing Development Authority).

If it is determined that the proposed project adequately has met the screening and selection criteria, the appropriate administering State agency (Michigan Strategic Fund or the Michigan State Housing Development Authority) will authorize the local government to prepare a full application.

Usually, a community may receive only one grant per program per year.

Screening and Selection Criteria. In considering project funding, a system based on screening and selection criteria is used to evaluate and invite notices of intent and approve applications. The screening criteria are considered to be thresholds that must be met or exceeded for a particular project to receive funding. If these thresholds are met by a proposed project, a positive funding decision may be made depending on the availability of funds, quality of jobs, and compliance with all other program requirements. The selection criteria are used to weigh the viable aspects of projects when a competitive award is to be determined.

Maximum Program Period. Projects usually must be completed within twenty-four (24) months from the date the grant is awarded. Funds not disbursed within the specified time limit may be recaptured by the appropriate State administering agency for reallocation to eligible CDBG projects.

The appropriate State administering agency may make exceptions to grant amount limits and project periods based on the significance of the project's impact on the community and the economy, the number of jobs created, needs of the community, and/or the level of benefits to low and moderate-income people. The applicant community must make requests for exceptions. Sufficient documentation and justification for an exception must be included in the application. Exceptions will be considered by the appropriate State-administering agency as part of the funding decision.

THE MICHIGAN STRATEGIC FUND WILL ADMINISTER THE FOLLOWING PROGRAMS.

Communities identified as Low and Moderate Income Communities by the U.S. Department of Housing and Urban Development (HUD) or through local survey efforts as approved by the MEDC may choose to request consideration for the elimination of a singular screening guideline requirement be eliminated in their efforts to qualify a project. (The elimination of the cost per job criteria is not eligible for this special consideration.)

1. Economic Development: Job Creation

Infrastructure. Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity (e.g. - manufacturing, point-of-destination tourism, headquarter operations, major multi-state distribution facility). Eligible public infrastructure projects include the following items: public water or sanitary sewer lines and related facilities, streets, roads, bridges, sidewalks, parking facilities pedestrian malls, alleys, property designated to reduce, eliminate or prevent the spread of identified soil or groundwater contamination, drainage systems, waterways, and publicly owned utilities and systems. Also eligible under this activity: grants to provide machinery and equipment to companies and businesses; grants to provide training support for new hires, including on the job and workforce skill training. (Grants to support training needs must meet the established training support criteria including eligible uses and ratios of grant uses.) Privately owned rail enhancement projects may be considered where CDBG funds represent no more than 50% of the necessary rail improvement costs. Privately owned utility and pipe line projects may be considered where existing service placement impedes development and requires relocation and where a significant case can be made for the extension or enhancement of service delivery, including the inability of the service provider to fund the necessary cost.

Screening Guidelines. Economic development infrastructure projects will be expected to meet each of the following guidelines:

Category A:

- Cost Per Job- Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created and/or retained is $10,000 or less and:

- Minimum Leverage Ratio - Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 2:1 or greater.

- Job Creation/Retention - Priority will be given to projects creating ten or more permanent full-time jobs with a minimum hourly pay of $8.00.

- Minimum Local Participation - Proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. Funding priority will be given to projects where local funding for public infrastructure is ten percent or more of the total public infrastructure costs.

- Financial Viability – The business must be financially viable and able to document that it has sufficient management abilities and skills to successfully operate the business.

- Economic Impact - Proposed projects are evaluated on their economic impact including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary jobs created.

Category B:

- Cost Per Job- Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created and/or retained is $20,000 or less and:

- Minimum Leverage Ratio - Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 3:1 or greater.

- Job Creation/Retention - Priority will be given to projects creating twenty five or more permanent full-time jobs with a minimum hourly pay rate of $11.00 per hour or 75% of the median hourly wage rate of the applicable county.

- Minimum Local Participation - Proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. Funding priority will be given to projects where local funding for public infrastructure is ten percent or more of the total public infrastructure costs.

- Financial Viability – The business must be financially viable and able to document that it has sufficient management abilities and skills to successfully operate the business.

- Economic Impact - Proposed projects are evaluated on their economic impact including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary jobs created.

Category C:

- Cost Per Job- Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created and/or retained is $35,000 or less and:

- Minimum Leverage Ratio - Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 5:1 or greater.

- Job Creation/Retention - Priority will be given to projects creating fifty or more permanent full-time jobs with a minimum hourly pay of $14.00 per hour or 75% of the median hourly wage rate of the applicable county.

- Minimum Local Participation - Proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. Funding priority will be given to projects where local funding for public infrastructure is ten percent or more of the total public infrastructure costs.

- Financial Viability – The business must be financially viable and able to document that it has sufficient management abilities and skills to successfully operate the business.

- Economic Impact - Economic Impact - Proposed projects are evaluated on their economic impact including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary jobs created.

2. Economic Development Planning. Economic development planning grants are available to help communities accomplish project specific public planning and design work which is likely to lead to an eligible economic development implementation project. Selection factors will include: an evaluation of near term (two to four years) job creation where at least 51 percent of the jobs are held by, or made available to low and moderate-income people, the number and quality of jobs, and the overall likely impact on the community.

Screening Guidelines. Economic development planning grant proposals will be evaluated on the following guidelines:

- Anticipated Project Outcome - The extent to which it appears that the planning grant will lead to an eligible implementation project

- Potential Job Creation – The likelihood for near term low/moderate job creation

- Community Impact – Anticipated impact on low/moderate income communities

- Project Cost – The maximum grant amount shall not exceed $50,000

- Local Participation – A cash match/contribution equal to the awarded CDBG funds is required

3. Incubator/Entrepreneurial Development for Job Creation. Communities may request grants to assist public or non-profit incubator projects with the construction, acquisition or expansion of a facility for the purpose of business incubator program creation or expansion. Awarded funds must be used for the construction of new or expansion of existing facilities where new jobs will be created.

Screening Criteria. Incubator Development grants will be expected to meet the following criteria.

- Project Viability - The community must be able to demonstrate the potential demand in the community to warrant the incubator creation or expansion. This includes identification of the entrepreneurial support systems and entrepreneurial interest in the community.

- Financial Viability - The community will be expected to demonstrate the financial viability of the incubator or proposed incubator and show that there is sufficient management abilities and skills and resources available to operate the incubator program and facility.

- Cost Per Job Proposed - projects are expected to create the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funding per job being created is $20,000 or less.

- Minimum Local Participation - Proposed projects are expected to have local government funding for public infrastructure activities. Funding priority will be given to projects where local funding for public infrastructure is thirty percent or more of the total public infrastructure costs.

- Minimum Leverage Ratio - Proposed projects are expected to leverage additional investment by the community or non-profit. Funding priority will be given to projects where the leverage ratio of all real asset project funds to CDBG funds is 1:2 or greater.

Maximum Grant Amount. The maximum grant amount shall not exceed $500,000.

4. Elimination of Blight. Communities may request grants to assist in the elimination of spot blight in non-downtown community areas that are declared blighted and owned by the public.

Screening Criteria. Elimination of Blight grants will be expected to meet the following criteria.

- Project Viability - The community must be able to demonstrate that their proposed project is clearly eliminating objectively determinable signs of blight and is strictly limited to eliminating specific instances of blight (spot blight).

- National Objective- Proposed projects must meet the national objective of elimination or prevention of slums and blight on a spot basis. The applicant community must self certify that the project meets the national policy objective.

- Project Type- Funding priority will be given to the demolition of vacant, deteriorated and abandoned buildings which are considered to be detrimental to public health and safety.

- Matching Funds- Proposed projects are expected to have local government and/or other funds designated for the project. Funding priority will be given to projects we here all other funding is twenty-five percent or more of the total project demolition costs.

- Project Identification – The community's proposed project must be officially designated by the grant recipient and must meet a definition of a blighted area under the Blighted Area Rehabilitation Act 344 of 1945.

- Spot Blight Eligibility – The property must be officially designated as blight by the grant recipient and must meet a definition of a blighted, deteriorated, or deteriorating area under State or local law.

- Financial Viability - The community must be able to document that it has sufficient management abilities and skills to meet the program requirements.

Maximum Grant Amount. The maximum grant amount shall not exceed $1,000,000 and must be matched with a local cash contribution equal to the awarded CDBG funds.

5. **Infrastructure Capacity Enhancement.** Grants are available for public works projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding capacity to existing systems. In addition, funds under this program can be utilized for public facilities which will have a significant economic development impact throughout the community. Announcement of this activity will be made to eligible communities in the Fall of the program year. All uncommitted CDBG funds as of November for this year will be made available for Infrastructure Capacity Enhancement (ICE) awards for projects to be implemented in 07' and 08'. Ranking of projects will be based on the Notice of Intent received and awards will be based on funds availability.

Screening Criteria.

Community Infrastructure Development projects will be measured as to their ability to meet each of the following:

- National Policy Objective – Proposed projects are expected to meet the National Objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households. Preference will be given to projects that benefit the entirety of the applicant community.

- Project Type – While community and recreational facilities are eligible as are new infrastructure projects, public infrastructure projects that address necessary improvements to existing public infrastructure services in need of repair and/or upgrade will be given priority.

- Matching Funds – Funding priority will be given to communities with the higher percentage of local matching funds (committed funds only) and all other matching funds from other sources (committed funds only) for the applicant's proposed project.

- Project Schedule – The immediacy of project commencement will earn the applicant greater consideration for the funding of the project. Current calendar year commencement and completion earns the highest possible project consideration.

Selection Criteria. The following criteria may be used in measuring the competitive strength of each applicants proposed project under the Community Development Infrastructure category.

- Project Schedule
- National Policy Objective
- Project Type
- Local Match (committed funds only)
- Combined Matching Funds (all matching funds including local-committed funds only)
- Cost Per Resident/Beneficiary
- Identified Funding Priorities

Maximum Grant Amount. The maximum individual grant award will not exceed $1,000,000. Priority will be given to projects with engineering completed and ready to begin construction. Applications will be accepted on a continuous basis and awarded as funding availability allows.

6. Economic Development Assistance for Private and/or Non-Profit Business.

Innovative and creative grant and award requests will be considered based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development job creation, planning grants, incubator grants, blight elimination awards and community infrastructure development grants. This may include Brownfield site redevelopment, targeted industry development, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded Initiatives.

Selection guidelines, project periods, and grant amounts will be determined and tailored for each specific project proposal. All funding considerations will be made in compliance with federal CDBG regulations and requirements.

THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY WILL ADMINISTER THE FOLLOWING PROGRAMS.

Downtown Development: The Downtown Program includes special funding initiatives in traditional downtowns for Business Development/Infrastructure, Facade Improvement, Land Assembly, Signature Building, Downtown Planning/Marketing Studies as well as the Downtown Capacity Enhancement Programs such as Blueprint and Main Street. Priority will be given to projects located within a traditional downtown. A traditional downtown is defined as a grouping of 20+ commercial parcels of property that includes multi-story buildings of historical or architectural significance. The area must have been zoned, planned or used for commercial development for 50+ years. The area must consist of; primarily zero-lot-line development; have pedestrian friendly infrastructure; and an appropriate mix of business and services. The area must be represented by a specific, downtown business organization (i.e. Downtown Development Authority, Business Improvement District, Principal Shopping District, and/or Corridor Improvement District).

A. Downtown Business Development/Infrastructure.

The Downtown Infrastructure Program enables a community to improve the downtown's infrastructure quality and reduce redevelopment costs to make a project feasible. This program is restricted to providing public downtown infrastructure improvements that are tied to new commercial/mixed-use development activities which require the additional infrastructure to create new economic opportunities and job creation activity within a downtown area.

Communities may request grants to provide public infrastructure improvements that directly support private redevelopment projects in traditional downtowns. Public infrastructure includes items such as: parking lots, streetscape, public water or sanitary sewer lines and related facilities, streets, roads, bridges, and public utilities. This category may include special initiatives. Funds can be used as local match to leverage other state funding. The maximum individual grant award will be $650,000. Priority will be given to projects leveraging the greatest amount of job creation and private investment and which will advance the Governor's Cool Cities Initiative. Applications will be accepted on a continuous basis following approval of the Notice of Intent and awarded as funding availability allows.

Screening Criteria. Downtown infrastructure projects will be expected to meet each of the following criteria:

- Minimum Leverage Ratio – Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 2:1 or greater.

- Cost Per Job – Proposed projects are expected to create the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created is $20,000 or less.

- Financial Viability – The business must be financially viable and able to document that it has sufficient management abilities and skills to operate the business.

- Job Creation – Funding priority will be given to projects creating five or more permanent full-time equivalent jobs.

- Minimum Local Participation – Proposed projects are expected to have local government funding participation. A minimum of ten percent local government entity cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.

Selection Criteria. The following criteria will be used in measuring the competitive strength of each applicant's proposed project under the Downtown Façade category.

- A minimum of two competitive funding rounds will be conducted for this program in 2007 subject to availability of funds. All projects will have a term of work ending December 31, 2008.

- Priority will be given to communities that: identify projects that will create more than 5 new FTE jobs; can demonstrate prior use of downtown development incentives; have local organizational capacity to successfully complete this project; have a full time downtown development professional to administer the project; have adopted a downtown development plan; demonstrate that the project is located in a strategically valuable location of the traditional downtown; and that the project can be completed and the national objective met by December 31, 2008.

B. Downtown Façade. Grants are available for communities that seek to target areas of traditional downtowns for facade improvements which will have a significant impact on the downtown/community.

The Downtown Façade Program is structured to provide commercial/mixed-use building façade improvements to sustain and minimize deterioration of the downtown area. This program is based on the premise that the exterior improvements will stimulate additional private investment in the buildings and the surrounding area, attract and increase additional customers, thereby resulting in additional downtown economic opportunities.

Screening Criteria. Downtown Façade projects will be measured as to their ability to meet each of the following:

- National Policy Objective – Proposed projects are expected to meet the National Objective of either benefiting a population of individuals of whom at least 51% reside in low to moderate income households (in communities at or below 15,000 in population) or by projects that will result in FTE job creation of which at least 51% of the created jobs will be held by to be offered to at least 51% low to moderate income level persons. Preference will be given to projects with job creation commitments.

- <u>Project Type</u> – Specific parcels of commercial/mixed-use property must be identified. Projects will be located in a traditional downtown, must be located in a DDA or other like-district and all projects must meet the Secretary of Interior's Standards for Rehabilitation.

- <u>Matching Funds</u> – Funding priorities will be given to communities with the highest percentage of local matching funds (committed funds only), but all communities must contribute a minimum 50% cash match dollars based on one dollar in CDBG funding for each dollar committed.

- <u>Project Selection</u> – The immediacy of project commencement will earn the applicant greater consideration for the funding of the project. Calendar year completion earns the highest points possible for project consideration.

- <u>Project Provisions</u> – All project beneficiaries must agree to abide by a five year restricted resale and reuse provision policy that is formally identified within the grant documents.

Selection Criteria. The following criteria will be used in measuring the competitive strength of each applicant's proposed project under the Downtown Façade category.

- A minimum of two competitive funding rounds will be conducted for this program in 2007 subject to availability of funds. All projects will have a term of work ending December 31, 2008.

- Priority will be given to communities that: currently have an existing façade program; identify projects that will create more than 5 new FTE jobs; can demonstrate prior use of downtown development incentives; have local organizational capacity to successfully complete this project; have a full time downtown development professional to administer the project; have adopted a downtown development plan; demonstrate that the project is located in a strategically valuable location of the traditional downtown; and that the project can be completed and the national objective met by December 31, 2008.

Maximum Grant Amount. The maximum individual grant award will not exceed $200,000 and must be for a minimum amount of $25,000. The selection process will be semi-annual and competitive; and subject to availability of funds.

C. **Downtown Signature Building**. Grants are available for communities seeking acquisition of vacant, partially vacant, or substantially underused buildings located in traditional downtowns for rehabilitation into a commercial/mixed use building that will result in job creation by December 31, 2008. CDBG funding can only be utilized for property acquisition activities and the community must demonstrate the financial capacity to rehabilitate the building in order to qualify.

The Downtown Signature Building Program enables a community to secure a building that is a focal point within the downtown for commercial rehabilitation purposes that will result in job creation, and once redeveloped, would become an asset and make a significant contribution to the overall downtown area and create jobs.

The CDBG funding allows the community to acquire property that a developer would not typically purchase and redevelop due to the substantial amount of money required, that its current owners are experiencing challenges with developing and/or maintaining, and is currently being underused. Therefore, this program gives the community availability/accessibility to funding to stimulate economic opportunity within a downtown.

Screening Criteria. Downtown Signature Building projects will be measured as to their ability to meet each of the following:

- National Policy Objective – Proposed projects are expected to meet the National Objective of providing jobs, and 51% of the created jobs must be held by low/mod income persons based on HUD's parameters.

- Project Type – Specific parcels of property must be identified. Projects will be located in a traditional downtown, must be located in a DDA or other like-district; the project must be accompanied by two appraisals along with the current SEV; documentation that all taxes are current, as well as verification that non-mortgage liens have not been placed on the property must be provided.

- Matching Funds – Funding priorities will be given to communities with the higher percentage of local matching funds (committed funds only), but all communities must contribute a minimum 25% local cash match.

- Project Selection – Community demonstration that timely project commencement as well as justification that the overall project timeline fits program parameters will earn the applicant greater consideration for the funding of the project.

- Project Provisions – All project beneficiaries must agree to abide by a five year restricted resale and reuse provision policy that is formally identified with the grant documents.

Selection Criteria. The following criteria will be used in measuring the competitive strength of each applicant's proposed project under the Downtown Signature Building category.

- Projects that require less CDBG per new FTE job (51% low to mod) will be prioritized higher than other cost/job.

- Priority will be given to communities that: show that the project is a signature, troubled building in the downtown; location is in a historic district or is historically registered; has been vacant, partially vacant or underused for three years or more; has sufficient parking for a rehabilitated building; possess a six month option on the building; a structural analysis has been completed for the building; a downtown market study has been completed in the last five years; local organizational capacity exists to successfully complete this project including the adoption of a downtown plan; have a full time downtown development professional; demonstrate prior commitment to using downtown economic incentives; and demonstrate that the project is located in a strategically valuable location of the traditional downtown.

Maximum Grant Amount. The maximum individual grant award will not exceed $400,000. As an alternative, up to 20% of the Downtown Signature Building allocation can include very low, low and moderate housing benefit. The selection process will be semi-annual and competitive; and the total program cost will be subject to availability of funds.

D. Downtown Land Assembly. Grants are available for communities seeking acquisition and demolition of blighted property located in traditional downtowns.

The Downtown Land Assembly Program enables a community to secure and demolish a blighted parcel in order to improve the aesthetic and physical conditions of the parcel and to minimize downtown deterioration. This program also is designed to allow the community, once program requirements are met, to make the parcels available for uses that would better serve the residents and help sustain the downtown as a hub providing goods and services to the community, thereby creating a more suitable living environment.

Screening Criteria. Downtown Land Assembly projects will be measured as to their ability to meet each of the following:

- <u>National Policy Objective</u> – Proposed projects are expected to meet the National Objective of eliminating slum and blight.

- <u>Project Type</u> – Projects will be located in a traditional downtown, must be located in a DDA or other like-district, the project must be accompanied by two appraisals along with the current SEV and the project must meet blight standards of the Blighted Area Rehabilitation Act of 1945.

- <u>Matching Funds</u> – Funding priorities will be given to communities with the higher percentage of local matching funds (committed funds only), but all communities must contribute a minimum 25% local match.

- <u>Project Selection</u> – The immediacy of project commencement will earn the applicant greater consideration for project funding. Calendar year completion earns the highest points possible for project consideration.

- <u>Project Provisions</u> – The community must agree to abide by a six month no predetermined use provision as well as a five year restricted resale and reuse provision policy that is formally identified with the grant documents.

Selection Criteria. The following criteria will be used in measuring the competitive strength of each applicant's proposed project under the Downtown Land Assembly category.

- Projects must be declared blighted and qualify under the Blighted Area Rehabilitation Act of 1945.

- Priority will be given to communities that: possess a six month option on the property; have local organizational capacity to successfully complete this project; have a full-time downtown development professional; have an adopted downtown development plan in place; and demonstrate that the project is located in a strategically valuable location of the traditional downtown or gateway.

Maximum Grant Amount. The maximum individual grant award will not exceed $200,000. The maximum amount of funding allocated for this program is $200,000. The selection process will be semi-annual and competitive; and subject to availability of funds.

E. Downtown Capacity Enhancement. The Downtown Capacity Enhancement Programs are designed to improve the quality of life for the residents and business owners within a community. These planning programs help communities add capacity for the further development of new jobs and housing opportunities. In addition, these programs are the basis for identifying the availability, accessibility, and feasibility of utilizing funds and resources to make modifications and/or sustain current practices to improve the community and its living environment.

Screening Criteria. Downtown Capacity Enhancement Program projects will be measured as to their ability to meet each of the following:

- National Policy Objective – Proposed projects are expected to meet the National Objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households. Preference will be given to projects that benefit the entirety of the applicant community.

- Project Type **–** Public infrastructure projects, identified in the Downtown Capacity Enhancement Program's action strategy, in need of upgrade within the revitalized neighborhood, will be prioritized.

- Matching Funds – Local communities will assist with the consultant funding to conduct the Downtown Capacity Enhancement Program's action strategy. This will be regarded as the local match.

- Project Schedule **–** Projects that immediately commence will earn the highest possible points for consideration. Funding priority will be based on each Downtown Capacity Enhancement Program's criteria.

Selection Criteria. The following criteria may be used in measuring the competitive strength of each applicant's proposed project under each Downtown Capacity Enhancement Program category.

- Projects must be located in a neighborhood adjacent to a traditional downtown.
- The applicant's neighborhood must be low to moderate income and must be a core community.
- Priority will be given to designated Cool City communities.
- The applicant must have completed a Downtown Capacity Enhancement Program strategy process and report. The community must have adopted the report and provided plans for implementing the neighborhood revitalization strategy. The report must also prioritize needed public infrastructure, in the neighborhoods, that qualify as CDBG eligible.

Maximum Grant Amount. The maximum individual grant award will not exceed $200,000. The Downtown Capacity Enhancement Program consultant/cost will act as the local match. Selection process will be annual and competitive and the total program cost will be subject to availability of funds.

F. **Downtown Planning/Marketing Program.** Downtown planning grants are available to help communities accomplish project specific, public planning, and design work which is likely to lead to an eligible economic development implementation project. Selection factors will include: an evaluation of near term (two to four years) job creation, where at least 51 percent of the jobs are held by, or made available to, low and moderate-income people, the number and quality of jobs, and the overall impact on the community.

The Downtown Planning/Marketing Program enables a community to identify and determine what activities the community could do to increase the availability/accessibility of economic opportunities to revitalize and stimulate job creation within the downtown area.

Screening/Selection Criteria. For economic development planning grants, proposals will be evaluated on an ongoing basis. Proposals will be awarded based on the extent to which it appears that the planning grant will likely lead to an eligible infrastructure implementation project with job creation. Evaluations will be guided on judgments by the Michigan State Housing Development Authority regarding the near term likelihood for low and moderate-income job creation and/or the positive impact on a low and moderate-income community.

Maximum Grant Amount. The maximum grant amount shall not exceed $50,000 and must be matched with a local cash contribution equal to at least fifty (50) percent of the CDBG funds provided. Priority will be given to planning projects where the community is matching the CDBG funds at a 1:1 ratio.

G. **Innovative or Unique Downtown Grants**. Grants and award requests will be considered based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular downtown programs. Selection criteria, project periods, and grant amounts will be determined and tailored for each specific project proposal by the Michigan State Housing Development Authority. All funding considerations will be made in compliance with federal CDBG regulations and requirements.

C. EMERGENCY SHELTER GRANTS: ONE-YEAR ACTION PLAN

1. Introduction

The State of Michigan's Emergency Shelter Grant (ESG) Program will be administered by the Michigan State Housing Development Authority (MSHDA), through its Office of Supportive Housing & Homeless Initiatives. It is anticipated that HUD will award a “balance of state” allocation of approximately $2,900,000 in Emergency Shelter Grant (ESG) funds to the State of Michigan for FY 2007 (based on prior year federal authorization level). MSHDA will provide an additional $5,000,000 in matching funding for statewide ESG programs. A portion of these MSHDA-generated matching funds may be used for activities associated with response to homelessness that fall outside HUD-defined eligibility restrictions for ESG programming (e.g., Continuum of Care coordination).

MSHDA has adopted the basic principles of HUD’s Continuum of Care strategy for use in its ESG funding distribution. The primary program design for FY 2007 allocates a targeted sum of grant funds to local communities that have developed and submitted an approved Continuum of Care plan. There are 60 active Continuum of Care planning bodies in Michigan, representing all 83 of our Counties. These Continuum of Care planning groups are comprised of homeless service providers and related stakeholders in each community. They meet regularly to assess the community’s homeless and housing needs, inventory existing resources available to serve them, identify gaps in housing and service delivery, prioritize local needs, and develop comprehensive strategic plans for homeless response. MSHDA assigns a “target funding allocation” to each Continuum area for planning purposes, and each Continuum then submits an “ESG Funding Strategy” which recommends specific funding amounts for eligible projects and activities in its area --- within the limits of the assigned allocation amount.

These Continuum of Care plans – and associated ESG Funding Strategies – are evaluated against threshold criteria to ensure their feasibility, consistency with program rules and principles of practice, and effectiveness. Each grantee agency must, in turn, submit its own Project Application for MSHDA review. MSHDA staff review all projects recommended by the Continuum body for eligibility of activities and cost. They also screen project grantees for eligibility and capacity.

MSHDA works closely with local communities to support the continuing evolution of Continuum of Care planning. Each year, MSHDA conducts a series of regional and specialized trainings throughout the state addressing ESG programming and Continuum of Care coordination. MSHDA also provides technical assistance as necessary to help local planning bodies to develop their Continuum processes and strategies. A state-level homeless programs advisory council – the Michigan Homeless Assistance Advisory Board (MHAAB) acts as a clearinghouse for related ideas and feedback.

A notice of funding availability for the Emergency Shelter Grants (ESG) program will be published and distributed statewide in the Fall of 2006. Application information will be posted on MSHDA’s public website and disseminated widely.

2. Eligible Projects and Sponsors

Emergency Shelter Grant funds (both federal and MSHDA matching funds) may be used for projects associated with providing shelter, transitional housing, prevention, and/or essential services to homeless individuals and families with children. Eligible Emergency Shelter Grant projects using federal funds include but are not limited to:

- The start-up of new emergency or transitional housing programs by experienced service providers
- Expansion of shelter, transitional housing, homeless prevention, or essential services programs
- Ongoing funding for shelter operations, transitional housing, homeless prevention, or essential services programs
- Funding for Homeless Management Information System (HMIS) implementation projects

Project sponsors must be established private non-profit 501(c)(3) agencies or public non-profit entities, must have had at least one year of successful experience in administering homeless programs, and must be actively involved in a local Continuum of Care planning body. No projects will be considered from areas that do not have an approved Continuum of Care plan in place. All grantees will be required to report on client activity through use of the Michigan Statewide Homeless Management Information System.

3. Proposed Use of Funds

The use of funds for recipients of federal ESG dollars will be limited to Operating, Essential Services, and Homeless Prevention as described below. Grantees will be allowed a limited amount of funding for staffing as a part of operating/administrative costs, if necessary, not to exceed 10 percent of the project's total award. MSHDA's FY 2007 ESG program will include the following categories of allowable use:

a. **Operating**: Grant funds will provide for maintenance and operating expenses of a shelter, transitional housing, or associated service facility, including but not limited to: insurance, food, utilities, maintenance, and repair expenses; necessary furnishings; salaries for security staff; and staff costs of operations (up to 10 percent of the total grant).

b. **Essential Services:** Grant funds may be used for essential/supportive services costs including but not limited to: case management, child care, employment and training, health care screening and referral, substance abuse prevention and treatment, counseling, and educational guidance. These funds will be used for salaries and benefits for counselors, case managers, other essential services staff; client transportation expenses; and other direct costs of essential services provision. MSHDA herein requests continued approval of a waiver established in 2003-2004 allowing allocation of more than 30 percent of its federal ESG funds to essential services. This request is based on two primary elements of rationale: 1) when taken as a percentage of combined federal and MSHDA matching funding for ESG, our essential services commitments are actually less than the 30% ceiling (generally around 20%) and 2) all ESG sub-grantees receiving essential services funding are required to submit organizational budgets that demonstrate the availability of full operational funding for their programming as a condition of eligibility for funding. MSHDA requests continued approval of this waiver for the five-year period covered by the 2005 Michigan Consolidated Plan.

c. **Homeless Prevention:** Homeless prevention funds will be used to provide direct financial assistance to pay utility shut-off balances and arrearage, prevent rental evictions or mortgage foreclosures, and assist with first month's rent and security deposits. MSHDA will allocate no more than 30 percent of its combined federal and matching ESG funds to homeless prevention services unless a waiver is obtained. To qualify for financial assistance under this homeless prevention category, households must meet the following criteria:

1) The inability of the household to make the required payments must be due to a sudden reduction in income; and

2) The assistance must be necessary to avoid eviction or termination of services; and

3) There must be a reasonable prospect that the household will be able to resume payments within a reasonable period of time; and

4) The assistance must not supplant funding for pre-existing homeless prevention activities from any other source.

MSHDA will elect not to absorb the federal administrative funds for which it is eligible, in order to be able to increase funding available for community programs and services. Moreover, MSHDA will dedicate a portion of its internally dedicated ESG project funds for uses that include: a) costs of coordinating local Continuum of Care activities – including fiduciary & administrative functions, b) costs of local implementation of the Michigan Statewide Homeless Management Information System (MSHMIS), c) piloting innovative rural homeless and prevention projects on a competitive basis, d) supporting the implementation of local Ten-Year Plans to End Homelessness, and e) other homeless activities and initiatives as may be identified by MSHDA's Division of Supportive Housing and Homeless Initiatives. Financial assistance for costs for critical needs for facilities repair, and for homeless facilities development or rehabilitation will be available (based on demonstrated agency need and capacity) through MSHDA's Housing Resource Fund. As such, no federal ESG funding will be directed to these costs.

4. Evaluation of ESG Projects

Local communities will submit their Continuum of Care plans and specific funding recommendations for individual projects (within limits of targeted allocations) to MSHDA in accord with a widely distributed Notice of Funding Availability (NOFA). Representatives from MSHDA's Division of Supportive Housing and Homeless Initiatives will review, critique, and approve submitted community plans and funding recommendations, as well as determine project eligibility.

5. Certification of Local Approval

A Certification of Local Approval signed by the highest elected official for the local unit of government where each project is administered is required from each program applicant. Documentation of these certifications is maintained in grantee files at MSHDA.

6. Grantee Reporting

A Homeless Programs Progress Report, currently due twice each year, asks grantees to report on service activities, client demographics, performance outcomes, and service needs in their area. Volunteer hours donated by individuals in the community and in-kind contributions leveraged by the grantees are also reported. MSHDA will compile this data into a statewide report to be used to assist in needs assessment, determination of funding priorities, coordination of services with other state agencies, and enhancement of services for homeless populations.

In the summer of 2004, MSHDA initiated statewide implementation of the Michigan Statewide Homeless Management Information System (MSHMIS). This web-based reporting mechanism will track and unduplicate client-level data at the agency, community, and state levels. While MSHMIS initially has focused on emergency shelter, transitional housing, and permanent supportive housing consumers, this system will ultimately endeavor to capture descriptive data on homeless persons and families served by all of our provider systems. All 60 of Michigan's Continuum of Care areas have agreed to participate in the statewide system. We anticipate that all Continuum of Care areas will be trained and using this technology by the end of 2006.

7. Lead-Based Paint Hazards

The Michigan State Housing Development Authority (MSHDA), as the agent for the State of Michigan will assure full compliance with all lead-based paint rules and regulations, as they are applicable to the Emergency Shelter Grant Program. All ESG program grantees are provided regular training and support in lead-based paint compliance.

8. Matching Funds

The Michigan State Housing Development Authority Board has committed $5 million in MSHDA funds as match for the FY 2007 ESG Program.

D. HOME INVESTMENT PARTNERSHIP: ONE-YEAR ACTION PLAN

1. Introduction

At the time of publication of this plan, the State of Michigan's FY07 allocation of HOME funds was not yet determined, but the range of activities planned for the FY07 allocation of HOME funds is similar to those undertaken with FY06 funds. The State of Michigan received an allocation of $22,550,277 in FY06 for the HOME Investment Partnership Program and projects a similar level of funding for FY07. The Michigan State Housing Development Authority (MSHDA) will continue to be the administrative agency for the state's allocation of HOME funds.

HOME funds in Michigan are used for projects to expand the supply and availability of safe, decent, accessible, and affordable housing for moderate, low and extremely low-income households through a statewide network of public/private partnerships. Activities eligible for funding include, but are not limited to:

- Rehabilitation for homeowner, homebuyer or rental;
- Acquisition including downpayment assistance;
- New construction of rental or homebuyer;
- Tenant based rental assistance;
- Demolition in conjunction with rehabilitation or new construction;
- Homeless assistance (restricted to housing development activities for transitional or permanent housing);
- Reconstruction housing; and
- An applicant may request funding for general administration.

Michigan will continue to allocate its HOME funds in a manner consistent with this Consolidated Plan. The state's allocation for HOME funds is based primarily on the demographics of non-HOME entitled areas of the state.

Eligible applicants include:

- All non-HOME entitled local units of government

NOTE: Projects in non–HOME entitled Local units of government may receive higher priority if one or more of the following conditions are met:

(a) The unit of government is a local county seat;
(b) The unit of government is designated by the Michigan Economic Development Corporation (MEDC) as a Core Community, Main Street, or Michigan Blueprint community; or
(c) The unit of government is requesting funds for a project located within the boundaries of a Cool Cities Designated Neighborhood.

- Local HOME Participating Jurisdictions (PJs).

- Non-profit organizations with a 501 (c) designation, including Community Housing Development Organizations (CHDOs).

NOTE: Whenever MSHDA HOME funds are committed within a local participating jurisdiction; MSHDA will coordinate its activities with those of the local participating jurisdiction and will generally require local matching funds.

- Federally Recognized Indian Tribes where MSHDA has coordinated its activities with those of the local tribe; MSHDA may require local matching funds.

2. Proposed Use of HOME Funds

With the funding available for Michigan's FY07 HOME allocation, MSHDA is reserving no more than five (5%) percent for CHDO operating expenses and no more than ten (10%) percent for administrative expenses. Of the funding available for projects, MSHDA will invest at least fifteen (15%) percent in projects owned, developed or sponsored by CHDOs. MSHDA plans to invest its project funds in eligible activities, in accordance with this Consolidated Plan. In implementing these programs and other affordable housing activities, MSHDA will provide at least twenty-five (25%) percent in non-federal match.

3. Rental Housing Programs

a. Supportive Housing Program. The Division of Supportive Housing and Homeless Initiatives is actively engaged in providing technical assistance and support to Michigan for-profit and non-profit organizations to create supportive housing units targeted to individuals and families who are homeless and/or have special needs. In 2007 HOME funds will be available to help implement supportive housing programs to serve: homeless youth, homeless families with children, survivors of domestic violence, individuals who are considered to be chronically homeless, and those with special needs.

The state's HOME funds may be used for eligible project activities in conjunction with funds provided locally through each community's Continuum of Care or supportive housing planning process. Local funds will come from public and private sources. Use of Low-Income Housing Tax Credits and local property tax relief are also encouraged. The amount of state HOME funds invested will be determined as part of an underwriting and review process for each development. Supportive housing is targeted to those individuals and families who are at or below 30% of AMI, are homeless and/or have a special need condition.

Eligible HOME projects include:

1. Supportive housing developments of 12-100+ units, where all units in the development are targeted to individuals and families who are homeless or have a special need. In these developments all tenants have access to a fairly intensive array of supportive services.

2. Small-scale supportive housing developments of 1-11 units, which typically are targeted 100% to individuals and families with special needs. Supportive services are available and accessible on site for all tenants.

3. Supportive housing integrated into multi-family projects with typically no more than 10-20% of the developments total units committed to people who are homeless and/or have special needs. In this model, HOME funds are used to

assure that the supportive housing units are targeted to those whose income is at or below 30% AMI. The partnership between the developer, service agency, and property manager is documented through a Memorandum of Understanding, outlining the roles and responsibilities of all parties.

b. Preservation. MSHDA will make HOME funds available for the preservation of MSHDA financed multi-family housing developments and may make HOME funds available for preservation of non-MSHDA financed multi-family housing developments. Recipients must extend the low-income character of the development. Transactions may involve a transfer of ownership. The maximum HOME assistance will vary depending on the age, type and size of the development and an underwriting evaluation. HOME assistance will be limited to the amount of assistance needed to fill the funding gap, as determined by MSHDA. Rent and occupancy restrictions will apply for, at a minimum, the HOME affordability period.

c. Leveraging Federal Funding and Deep Subsidy Assistance. MSHDA may make funds available to leverage the construction of new developments and the award of project-based Rental Assistance under the U.S. Department of Agriculture-Rural Development Section 515 Program and/or the U.S. Department of Housing and Urban Development Section 202/811 Programs.

d. Tenant Based Rental Assistance Initiatives. HOME funds will be committed to support Tenant Based Rental Assistance (TBRA) targeted to homeless and special need populations, such as: homeless youth, homeless families with children, survivors of domestic violence and those who are considered chronically homeless. The Division of Supportive Housing and Homeless Initiatives has created a regional structure for the disbursement of technical assistance and funding. The plan is to assure that TBRA is available to provide leasing assistance to homeless and special need populations in every region of the State.

Based on the 2006 Statewide Continuum of Care: Gaps Analysis (see update of Table 1A), the state has an unmet need of 1,277 transitional housing units for homeless families and individuals As stated under Goal 4 of our Five-Year Strategy, both the state's Strategy Development and Investment Plan emphasizes the need for transitional, supportive housing that is responsive to local needs. As such, we anticipate continued funding of TBRA as a component of our larger commitment to and strategies for ending homelessness.

e. HOME Equity Enhancement. HOME funds for the development of rental housing other than the above-described initiatives will be made available to assist projects in the following categories:

1. Rural Rental Housing (12-49 units and up to 100 units for rehabilitation projects)

   (a) Project Eligibility - Multifamily development proposals must meet all of the following criteria:

   - MSHDA tax-exempt or taxable debt financing; the tax-exempt debt financing must be greater than 50% of the total development cost. MSHDA may use HOME funds as subordinate debt to reduce the amount of debt financing necessary.

- Low Income Housing Tax Credit award, with the equity investment, net of allowable developer fees and project costs not recognized in the debt financing, used to reduce the need for HOME funds;

- Agreement by the community to accept a service fee in lieu of real property taxes for a period not less than the term of the first mortgage loan;

- Agreement by the sponsor to enter into a regulatory agreement whereby, at MSHDA's sole discretion, ten percent (10%) of the units will be rent restricted and occupied by households with incomes at or below 30% of the area median income, adjusted for family size, as defined by HUD. MSHDA may elect to waive this criterion.

(b) HOME Assistance Levels - The minimum amount of HOME assistance will be $1,000 per unit. The maximum amount of HOME assistance will be the lesser of the equity gap as determined by MSHDA, the total development cost of the HOME designated units, or the per unit HOME subsidy limit multiplied by the number of HOME designated units.

(c) Income Targeting - MSHDA may elect, at its sole discretion, to apply the HOME funds to a specific number of units within the development and require that these units be deeply targeted and made affordable to families with incomes at or below 30% of the area median income, adjusted for family size.

(d) Loan Terms - HOME assistance will be provided as a subordinate mortgage, to be repaid from:

- Twenty-five percent of any cash available for distribution to the project owner, as determined by an independent annual audit of project income and expenses, this repayment may be waived to the extent deferred developers fees exist;

- The proceeds of any refinancing or sale designed to alter the low income character of the residents of the development. In this event, the full subordinate HOME loan will be accelerated and become immediately due and payable; and

- Project operating revenue following repayment of the first mortgage. In this event, the outstanding balance of the HOME loan will become the new first mortgage and begin to bear interest at the same rate as the original mortgage with monthly mortgage payments equal to the payments under the original first mortgage.

2. Non-rural Rental Housing (generally 24-150 units)

(a) Project Eligibility - Multifamily development proposals must meet all of the following criteria:

- MSHDA tax-exempt or taxable debt financing; the tax-exempt debt financing must be greater than 50% of the total development cost. MSHDA may use HOME funds as subordinate debt to reduce the amount of debt financing necessary;

- Low Income Housing Tax Credit award, with the equity investment, net of allowable developer fees and project costs not recognized in the debt financing, used to reduce the need for HOME funds;

- Agreement by the community to accept a service fee in lieu of real property taxes for a period not less than the term of the first mortgage loan or other community contribution to the feasibility of the project;

- Agreement by the sponsor to enter into a regulatory agreement whereby, at MSHDA's sole discretion, a percentage of the units will be rent restricted and occupied by households with incomes at or below 40% of the area median income, adjusted for family size, as defined by HUD. MSHDA may elect to waive this criterion.

b) HOME Assistance Levels - The minimum amount of HOME assistance will be $1,000 per unit. The maximum amount of HOME assistance will be the lesser of the equity gap as determined by MSHDA, the total development cost of the HOME designated units, or the per unit HOME subsidy limit multiplied by the number of HOME designated units.

(c) Income Targeting - MSHDA may elect, at its sole discretion, to apply the HOME funds to a specific number of units within the development and require that these units be deeply targeted and made affordable to families with incomes at or below 40% of the area median income, adjusted for family size.

(d) Loan Terms - HOME assistance will be provided as a 3% subordinate loan, amortizing over 50 years, to be repaid from cash flow on an annual basis. In the event a significant percentage of the developer fee is deferred, repayment of the HOME loan may be deferred until the deferred developer fee is repaid or not later than the 13th year.

The loan will be repayable with:

- The proceeds of any refinancing or sale designed to alter the low income character of the residents of the development. In this event, the full subordinate HOME loan will be accelerated and become immediately due and payable; and

- Project operating revenue following repayment of the first mortgage. In this event, the outstanding balance of the HOME loan will become the new first mortgage and begin to bear interest at the same rate as the original mortgage with monthly mortgage payments equal to the payments under the original first mortgage.

3. Small Scale Rental Housing (1-24 units)

(a) Project Eligibility - HOME funding may be invested in subsidized secondary loans for small scale development projects (1 to 24 units) on a case-by-case basis and where the project will address a clear public purpose and specific community need such as:

1. The project is an essential component of a comprehensive community revitalization strategy aligned with MSHDA investment priorities; or

2. The project is part of a strategy to create low-income housing opportunities in a higher cost setting or area characterized by economic growth (e.g., economic integration or deconcentration); or

3. The project is targeted at special needs/homeless/supportive housing populations that require a smaller scale.

Proposed projects must meet all the following criteria:

- Low Income Housing Tax Credit award, with the equity investment, net of allowable developer fees and project costs not recognized in the debt financing, used to reduce the need for HOME funds;

- Sponsorship by a community-based nonprofit group, defined as:

  - A Community Housing Development Organization (CHDO),
  - A Community-Based Development Organization (CBDO), as defined by HUD,
  - A local 501(c) organization, organized in Michigan, currently involved in housing in the market area in which the housing is being proposed,

  OR

  Sponsorship by a for-profit group.

- If special needs housing is being proposed, it must include provision for appropriate support services and project sponsors must be participating in a local continuum of care strategy planning body or a local consortium planning body for supportive housing.

It is the intent of MSHDA to reduce the need for HOME funding by leveraging other sources of financial assistance, but this may not always be practical. At the discretion of MSHDA's Executive Director, these proposals may not always require the use of Low Income Housing Tax Credit.

(b) HOME Assistance Levels - The minimum amount of HOME assistance is $1,000 per unit. The maximum amount of HOME funding will be:

- Within a Participating Jurisdiction, the lesser of the equity gap as determined by MSHDA or $30,000 times the total number of HOME designated units in the project. For special needs housing the maximum HOME assistance will be the lesser of the equity gap as determined by MSHDA or $40,000 per HOME designated unit.

- Outside a Participating Jurisdiction, the lesser of the equity gap as determined by MSHDA, the total development cost of the HOME designated units, or the per unit HOME subsidy limit multiplied by the number of HOME designated units.

(c) Income Targeting - MSHDA may elect, at its sole discretion, to apply the HOME funds to a specific number of units within the development and require that these units be deeply targeted and made affordable to families with incomes at or below 30% of the area median income, adjusted for family size.

(d) Loan or Grant Terms - The affordability and repayment terms will be determined by MSHDA's Executive Director. At a minimum, in the event of a refinancing, sale, or conversion of use that would alter the low income character of the residents of the development prior to the expiration of the affordability period, the full amount of HOME loan will be recaptured.

4. Requirements for Participating Jurisdiction Contributions

(a) For all multifamily rental developments located in participating jurisdictions, a local contribution must be made. The minimum contribution, excluding any credit for the value of property tax relief, must be the lesser of 50% of the total HOME funds necessary as determined by MSHDA or 5% of the participating jurisdiction's most recent annual HOME allocation.

(b) The participating jurisdiction must agree that match credit derived from the present value of property tax relief must, at a minimum, be split between the community and MSHDA based on a pro-rata share of the actual HOME assistance provided.

(c) At the discretion of MSHDA’s Executive Director, proposals may not always require contribution from the participating jurisdiction’s HOME allocation.

f. Rental Rehabilitation. MSHDA will make funds available for rental rehabilitation as follows:

1. Funding awards to local units of governments (state recipients) will be made to administer a HOME rental rehabilitation program. CDBG funds may be used if deemed more appropriate for the specific program proposed. The program will generally provide a forgivable loan of up to a maximum of $14,999 per unit however, additional funds needed to address lead-based paint hazard reductions may be allowed. Investors must contribute at least 25 percent of the total development cost. Loans up to $25,000 and an additional $10,000 for lead based paint hazard reduction may be made available in Downtown or Neighborhood Preservation Program areas. The term of the loan will coincide with the rent affordability requirement. Units will be rehabilitated to the HUD Section 8 Existing Housing Quality Standards (HQS) or UPCS, or its replacement, and include addressing all local code items.

2. Loans to the owners of MSHDA financed multi-family developments will be made, at the sole discretion of MSHDA, for the rehabilitation of the development. Funding will only be available to the extent MSHDA determines that reserve levels are not adequate to cover the costs and still maintain an adequate balance for future needs. Funding will generally be limited to a maximum of $14,999 per unit. Units will be rehabilitated to the HUD Section 8 Existing Housing Quality Standards (HQS) or UPCS, or its replacement, and include addressing all local code items.

4. Homebuyer Assistance Programs

a. Acquisition/Development/Resale Assistance. MSHDA will make funds available through grants or loans to eligible nonprofit organizations and to local units of government or may loan HOME funds to for-profit developers, for the purpose of newly constructing, acquiring and/or rehabilitating units for sale to low and moderate income families. The maximum amount of HOME funds that a grantee may invest in a home is the per unit dollar limits established by HUD under Section 221.514(b)(1) and (c). The appraised value of the properties may not exceed the single family mortgage limits established by HUD. The sale price (purchase price limit) may not exceed the lesser of the appraised value or the HUD maximum appraised value limits.

Grantees may (a) resell the HOME-assisted property to a qualified buyer using affordable financing, (b) sell the property under a lease-purchase agreement to families who will be able to qualify for mortgage financing within 24 months, or (c) use other homeownership models, such as community land trusts, to address the needs of specific markets. The unit must meet HUD Section 8 Existing Housing Quality Standards (HQS) or UPCS, or its replacement, and include all energy conservation items at the time of occupancy. The resale provisions described in Section 12 will be applied to any resale during the affordability term.

b. Down Payment Assistance. MSHDA will provide a down payment assistance program for qualified eligible families, especially first-time homebuyers by making funds available through financial institutions, eligible nonprofit organizations, for-profit developers, or local units of government. The homebuyer is responsible for a minimum cash contribution equal to 1 percent of the sales price. As permitted by HUD, homeownership assistance can be used for the balance of the minimum cash requirement to close (including closing costs, prepaids and down payment requirements) as calculated by the lending institution providing the first mortgage. The property's appraised value may not exceed the applicable HUD single family mortgage limit. Mortgage financing is required; land contracts are not eligible.

Additional funds may be provided for rehabilitation of homes receiving down payment assistance. Where rehabilitation funds are provided at closing as part of a single affordable financing package (1st and 2nd mortgage) based on the increased value of the property. CHDOs may use funding from the CHDO set-aside as developers of the property in accordance with a written agreement.

Down payment assistance will be combined with the acquisition/development/resale program. MSHDA may, under this combination of assistance, provide a higher maximum downpayment assistance to (a) achieve affordability or (b) permit recapture of HOME funds upon resale during the affordability period.

A lien will be placed on the property in the amount of the HOME funds used to make the property affordable. The lien will require repayment of the HOME funds, in accordance with the resale provision described in Section 12, if the property is sold within the term of the affordability period. The assistance may be forgiven after the term of affordability ends except for assistance provided in coordination with MSHDA's single family mortgage programs, which is forgiven at the end of the mortgage term. Any repayments received must be returned to the HOME Investment Trust Fund.

Funds for Down Payment Assistance will be made available (a) to support the activities of the Acquisition/Development/Resale Assistance, (b) in coordination with MSHDA's single family mortgage programs, and (c) where a local nonprofit organization(s) or community demonstrates capacity to provide needed supportive services (such as counseling) or to reach underserved populations.

American Dream Downpayment Initiative

The U.S. Department of Housing & Urban Development established an interim rule for a new downpayment assistance component under the HOME Program referred to as the American Dream Downpayment Initiative (ADDI) effective April 29, 2004. The Michigan State Housing Development Authority (MSHDA) will be the administrator of the State of Michigan ADDI program.

Planned Use of ADDI Funds

MSHDA will provide the ADDI funds, through an agreement with Habitat for Humanity of Michigan, Inc., for first-time homebuyers. Habitat will award the ADDI funds to local Habitat affiliates throughout the state. MSHDA's 2007 goal for minority households assisted with ADDI funds is 25% of ADDI funds disbursed in the program year.

Plan for Conducting Targeted Outreach

MSHDA will require that each local Habitat affiliate receiving ADDI funds conduct targeted outreach to residents and tenants of public and manufactured rental housing, and to other families assisted by public housing agencies. MSHDA will provide an Assisted Housing Directory to each affiliate that identifies all multi-family assisted housing in the locality, contact information for the local public housing authority and contact information for the local MSHDA Housing Choice Voucher agent. Examples of acceptable outreach measures include, but are not limited to:

- Program Notices sent to the Management Agent of local assisted housing;
- Program Notices mailed to residents of local manufactured rental housing developments;
- Program Notices sent to local public housing authorities providing the Housing Choice Voucher Program;
- Program Notices sent to MSHDA's Housing Choice Voucher Family Self-Sufficiency and Housing Choice Voucher Homeownership participants within the county;

- Informational meetings describing application and eligibility requirements;
- Advertisement in a newspaper of general circulation or a publication reaching the targeted audience (i.e., a rental development newsletter).

Homeownership Counseling

MSHDA administers an extensive Homeownership Counseling Network that has been in place for fourteen years. A formal process is in place for Habitat of Humanity affiliates to refer purchasers of Habitat homes to the Network for necessary counseling. Counseling services range from simple home purchase education to in-depth financial literacy and home maintenance training. This counseling arrangement will be expanded to include all ADDI participants.

5. Homeowner Assistance

a. Eligible Administrators: MSHDA will make funds available to provide homeowner rehabilitation loans to families with incomes at or below eighty percent (80%) of area median. This program will be administered through either MSHDA direct loans or local administrators. Eligible local administrators include:

1. In CDBG non-entitlement areas; a) local units of government or b) non-profit organizations proposing to administer a homeowner rehabilitation program in eligible, non-participating counties.

2. In CDBG entitlement areas; local units of government or nonprofit organizations sponsoring a targeted strategy; targeted strategies such as, but not limited to MSHDA NPP, Empowerment Zones, Enterprise Communities, and Renaissance Zones. A 1:1 match will generally be required from the entitlement community.

b. Maximum Assistance: Homeowner rehabilitation assistance will generally not exceed $25,000 per unit, with the following exceptions:

- Substantial rehabilitation costs, including costs attributable to lead-based paint abatement, not to exceed $35,000;

c. Leverage: Local administrators are expected to leverage funds from other housing programs, such as federal weatherization funding, Rural Development, and MSHDA PIP, as well as to provide in-kind services and local housing funding. Leveraging targets and results will be a factor in determining funding awards.

d. Lien Requirements: MSHDA requires the placement and recording of a lien on properties improved with HOME funds. Exception will be given to rehabilitation assistance loans where the cost of the repairs is at or below $2,500. Waivers will be considered for other unique circumstances on a case-by-case basis.

e. Financing Mechanism: Generally, The minimum requirement is a deferred, non-forgivable loan for any assistance between $2,501 and $25,000. However, County Allocation Grantees may choose to offer loans that are forgivable over a 15 year period, beginning in year 6.

f. **Targeted Strategies:** MSHDA reserves the right to adjust the criterion (b) through (e) listed above in targeted strategy areas.

6. Special Projects

Community Initiative Models. MSHDA's goal is to maximize the impact of HOME funds on local housing needs through the design of model programs that have broad applicability. The program parameters for these models may sometimes present barriers to innovative and creative responses to unique local situations. Applicants are encouraged to engage in local planning and collaborative efforts involving local government, private funders, lenders, and nonprofit organizations. MSHDA will consider funding innovative and creative applications for HOME, which do not comport with the program parameters of the State's plan. Requests for funding must involve HOME-eligible activities using the applicable HOME regulations.

Empowerment Zones, Enterprise Communities and Renaissance Zones and other state designated target areas. MSHDA will make available HOME funds for other HOME eligible project activities which present innovative or otherwise responsive solutions to identified housing needs for persons residing in one of Michigan's designated target areas such as Empowerment Zones, Enterprise Communities, and Renaissance Zones. MSHDA reserves the right to determine the scope of these projects and procedures for awarding these funds.

7. Community Housing Development Organizations and HOME

MSHDA will reserve at least 15 percent of its HOME allocation for investment in affordable housing owned, developed or sponsored by Community Housing Development Organizations (CHDOs). CHDO funding will be accessed by certified CHDOs through the eligible program components of the overall State HOME Program. CHDO funding will be used for both rental housing and first time homebuyer activities. The programs where the greatest CHDO participation is anticipated are the two components of the HOME Equity Enhancement and the Acquisition/Development/Resale Program.

MSHDA will also reserve up to 5 percent of its total allocation for CHDO operating expenses. Certified CHDOs who are undertaking CHDO eligible activities through the State HOME Program will receive first priority for operational support. Second priority will be given to organizations in Michigan's HUD-designated Empowerment Zones/Enterprise Communities and to CHDOs in non-PJ areas of the state, which are identified by MSHDA as having the potential to undertake CHDO-eligible activities within the time-frame specified by HUD for the commitment of FY07 HOME funds. These CHDOs and potential CHDOs will be required to submit work plans and budgets that identify the use of the operating funds. MSHDA will assess the progress of the recipient organization(s) on a regular basis. The disbursement of operating funds will be contingent upon the completion by the organization(s) of set goals within a specified time-frame. MSHDA will also make CHDO pre-development loan assistance available.

MSHDA is currently certifying CHDO organizations statewide and is continuing efforts to identify CHDO eligible organizations in both rural and urban areas. MSHDA will utilize HUD and its own technical assistance funds to build the capacity of Michigan nonprofit organizations to undertake HOME assisted activities and to qualify those organizations as CHDOs.

8. Affirmative Marketing and Outreach to Minority and Women Owned Businesses

All HOME activities will be subject to existing equal opportunity policies and protections in force within the Michigan State Housing Development Authority. In addition, all state recipients of HOME funds for rental activities of properties of five (5) or more must provide a plan which details their efforts to solicit the participation of minority and women owned businesses in the implementation of the program, and an affirmative marketing plan for the marketing of units in HOME assisted projects.

9. Affirmative Marketing

MSHDA will implement an affirmative marketing plan to assure that eligible persons from all racial, ethnic, and gender groups in the designated housing market area are aware of and invited to apply for any available housing assistance which it directly administers. The following affirmative marketing requirements apply **only** to structures containing five (5) or more rental units assisted with HOME funds. In addition, MSHDA will provide state recipients with guidance in affirmative marketing of HOME assisted units. The affirmative marketing plans for state recipients must address the following requirements:

a. Informing the General Public. The method for informing the general public of the availability of the HOME Rental Rehabilitation Program will include at a minimum placing an advertisement in a newspaper of general circulation **and** a publication reaching those persons least likely to apply. All advertising will contain the HUD-approved Equal Opportunity logo **and** slogan. All display advertising will contain the logo in a prominent position with the advertisement in letter size equal to or greater than the smallest letters in the ad. Additional outreach to organizations which service disabled persons will be used when a barrier free unit(s) is part of the project.

A summary of the HOME Rental Rehabilitation Program guidelines and the ongoing affirmative marketing requirements will be made available at the state recipient's office and at other designated public places.

b. Informing Potential HOME-Assisted Property Owners. Upon initial contact with the property owner, the state recipient will inform interested property owners of the HOME Rental Rehabilitation Program Guidelines, the Fair Housing Laws and of their obligations and responsibilities under the HOME program guidelines. Copies of the HUD publication **Fair Housing-It's Your Right**, as well as other written materials will be provided to the property owners.

c. Property Owner Obligations. At the time of application, upon request of the state recipient the property owner shall issue letters to tenants currently occupying units to be rehabilitated and submit copies of those letters to the state recipient.

i. Vacancies. The property owner shall agree that he/she **will** notify the state recipient immediately upon learning that a rehabilitated unit will become vacant. The property owner **will** also send notification to the local PHA and one predetermined local agency or nonprofit that assists families with affordable housing services.

The property owner may simultaneously inform the general public, about the availability of rehabilitated units, by advertising for tenants in a paper of general circulation and a publication reaching those persons least likely to apply, using the Equal Housing Opportunity logo in display ads or "EHO" in line ads.

The property owner shall keep track of new tenants (race, ethnicity, gender, income, family size and rent) and notify the state recipient of all new occupancies and vacancies. All pertinent rental and statistical data, throughout the term of the agreement shall be reported to the state recipient, at least annually, and at other times as requested by the state recipient.

ii. Informing Potential Tenants. While taking applications to fill a vacancy, the property owner shall keep documentation of **all** applicants for the vacancy.

d. HOME Rental Rehabilitation Agreement. The state recipient shall prepare an Agreement with each property owner, which describes in part their willingness to comply with the affirmative marketing requirements. The affirmative marketing requirements shall remain in effect for the term required by the HOME regulations.

e. Record keeping. Property owners will, on an annual basis contact the state recipient to identify the race, ethnicity, gender, income, family size and rent of tenants. The state recipient will maintain records of flyers or ads and a list of contact dates with special outreach agencies. Property owners will provide, where possible, data on how applicants learned about the housing opportunities.

f. Assessment. The state recipient will assess affirmative marketing efforts made by property owners as follows:

- To determine if good faith efforts have been made: Property owners' records shall be examined for actions they have taken; those actions shall be compared with the affirmative marketing policy in their contractual provisions. If the state recipient finds that the required actions were carried out, it will be reasonably concluded that the property owners have made good faith efforts to comply.

- To determine results: Property owners' affirmative marketing efforts will be assessed to determine whether persons from all of the racial and ethnic groups in the state recipients area have become tenants in the HOME assisted rehabilitated units. If the groups are representative, we will assume that the property owners have complied with the affirmative marketing policy.

g. Remedies for Noncompliance with Affirmative Marketing Requirements. If a property owner fails to comply with the policy and any applicable federal laws regarding the affirmative marketing policy, the property owner will not be allowed to continue to participate in the rental program. The restriction would be lifted at such time when the property owner supplied the state recipient with a corrective action plan that sufficiently demonstrates the steps he/she will take to correct and comply with applicable Federal Housing Laws and the affirmative marketing policy.

10. Outreach to Minority and Women Owned Businesses

MSHDA will make efforts to encourage the use of minority and women's business enterprises in connection with HOME funded activities. At a minimum, MSHDA will undertake the following steps:

- Work with the Michigan Department of Civil Rights to maintain and expand its inventory of Minority Business Enterprises (MBEs) and Women Business Enterprises (WBEs);
- Provide copies of MSHDA's MBE/WBE directory to state recipients and others;
- Promote affirmative procurement policies in promotional material and media announcements about the HOME program;
- Provide information to potential MBEs and WBEs on contract opportunities;
- Develop solicitation and procurement procedures that facilitate involvement by MBEs/WBEs;
- Assure that information is provided to MBEs and WBEs on business opportunities at meetings and seminars; and
- Maintain information and report on the use of MBE and WBE contractors MSHDA in the HOME program.

In addition, MSHDA will monitor the implementation of plans for outreach to minority and women-owned businesses by State recipients and grantees. These plans will at a minimum, require:

- including qualified minority and women's businesses on bid solicitation lists and assuring that minority and women's businesses are solicited whenever they are potential sources of materials or services;
- using the services and assistance of the Michigan Department of Civil Rights, the Michigan State Housing Development Authority, or any similar local agency to identify WBEs and MBEs, as needed;
- if any subcontracts are let, requiring the prime contractor to undertake similar outreach efforts.

11. Match Requirement

The match for the FY07 HOME allocation will be met by a variety of resources, including but not limited to publicly issued debt, property tax abatement, value of donated land and property infrastructure improvements, grants from MSHDA funds, the Michigan General Fund, and private sources, as well as other funding for HOME-eligible projects.

12. Resale Provisions

The federal HOME regulations require that a property purchased with HOME assistance remain affordable in accordance with §92.254(a)(4) of the HOME Regulations:

HOME Investment	Affordability Period
$1,000 - 14,999	5 years
$15,000 - 40,000	10 years
$40,001 - maximum allowable	15 years

The regulations stipulate that the initial homebuyer may sell the property during the term of affordability provided that 1) the initial homebuyer repays the HOME subsidy upon resale (the "recapture" option) **or** 2) the property is resold at a price which both ensures that the owner will receive a fair return on investment and ensures that the property will remain affordable to a reasonable range of low and moderate income buyers (the "reuse" option).

The Michigan State Housing Development Authority (MSHDA) will utilize both recapture options in its homebuyer programs but reserves the right to utilize the reuse option at its discretion. Under the recapture option, MSHDA will require that the initial homebuyer repays the <u>outstanding</u> HOME subsidy at the time of resale. Full repayment will not be required in the case of a resale with no net proceeds or insufficient net proceeds to fully repay the subsidy. The term of affordability will be ended at such time the HOME subsidy is repaid, in whole or in part, to the State Home Investment Fund. The recapture provision will be enforced with a formal agreement with the homebuyer and a recorded lien on the property. Under the second recapture option, "Presumption of Affordability," no lien will be required unless there is a homebuyer subsidy.

Under the reuse option, the homebuyer may sell the property during the term of affordability provided that the following conditions are met:

<u>Subsequent Purchaser</u>: The subsequent purchaser is a low or moderate income household that will use the property as its principal residence. Low or moderate income households are defined as households whose gross annual incomes do not exceed 80 percent of the area median income, adjusted for household size.

<u>Sale Price</u>: The sale price of the property may not exceed the lesser of 1) the appraised value of the property at the time of sale or 2) a sale price that yields an affordable 97% mortgage. A mortgage is considered affordable if the monthly payment for principal, interest, taxes, and insurance (PITI) does not exceed 30 percent of the gross monthly income of a household with an income that is 80 percent of the median income for the area, adjusted for household size. Household size will be determined by using the maximum occupancy standard. If necessary, MSHDA will invest additional HOME funds to assure that the subsequent mortgage is affordable as defined by the HOME Program regulations.

<u>Return on Investment</u>: The sellers' return on investment (fair return) will be limited by 1) the MSHDA fair return formula and 2) the area housing market value. Appreciation

realized during the term of homeownership may be shared between the homeowner and MSHDA.

The fair return will equal the sum of 1) the amount of the homeowner's investment and 2) the amount of the standardized appreciation value, less any investment by MSHDA that is required at the time of resale to enable the property to meet HQS, or UPCS or its replacement. The homeowner's investment is calculated by adding the down payment made by the homebuyer from its own resources, the amount of the mortgage principal repaid by the homeowner during the period of ownership, and the value of any improvements installed at the expense of the homeowner. The standardized appreciation value will equal 3 percent of the original purchase price for each year the homeowner holds title to the property, calculated as one quarter of 1 percent per month.

The homebuyer will receive the full amount of the fair return only if sufficient sale proceeds remain after all outstanding debt (excluding repayable HOME contribution), closing costs, and HQS, UPCS, or its replacement required repairs are paid off. Any sale proceeds remaining after payment of the outstanding debt, closing costs, HQS, UPCS, or its replacement required repairs, fair return, and the HOME contribution will be shared fifty/fifty between the homeowner and MSHDA. If necessary, MSHDA will use its share for the purpose of reducing the monthly payment to an affordable level to the subsequent low or moderate income purchaser.

13. Monitoring

MSHDA will monitor the implementation of these plans to determine that good faith efforts have been made to carry out the procedures and requirements specified in the plans, to determine if the objectives have been met, and to take corrective action as necessary.

14. Lead-Based Paint Hazards

In the HOME Program, all properties rehabilitated must meet HUD's Section 8 Existing Minimum Housing Quality Standards (HQS) or UPCS, or its replacement. As lead-based paint requirements are incorporated into HUD’s standards, on a statewide level we are continuously addressing lead-based paint issues on housing rehabilitation projects (e.g., homeowner and rental rehabilitation).

Beginning August 11, 2001, the new HUD Lead Based Paint Regulation was put into effect throughout the State of Michigan relative to the HOME Program. Projects begun with HOME funds after January 1, 2002 will be monitored for compliance with the Lead Regulation by MSHDA staff as part of the overall monitoring for the HOME Program.

15. Refinancing

On a limited basis for feasibility purposes, MSHDA will consider, as an eligible cost, the cost to refinance existing debt secured by multi-family housing that is being rehabilitated with HOME funds when the following conditions are met:

1. The multi-family project contains $\leq$ 11 units except, at the discretion of MSHDA’s Executive Director, the number of units may be increased to $\leq$ 50 units; and

2. The rehabilitation cost of the project is equal to or exceeds the amount to be refinanced; and

3. The refinanced units will have a minimum affordability period of 25 years; and

4. A review of the management practices demonstrates that disinvestment in the property has not occurred, that the long term needs of the project can be met and that the feasibility of serving the targeted population over the affordability period can be demonstrated; and

5. That the investment of HOME funds for refinancing is being made to maintain current affordable units, create additional affordable units, or both; and

6. That HOME funds will not be used to refinance multi-family loans made or insured by any federal program.

MSHDA will consider the use of HOME funds for this purpose and under these conditions for multi-family projects located outside of local Participating Jurisdictions.

16. Unit Goals - Section 215 Affordable Housing

	Total # of Units	HH AMI 0 ≤ 30%	HH AMI >30≤ 50%	HH AMI >50≤ 80%
Home Owner	400	80	280	40
Home Buyer	300	25	115	160
Rental	1289	300	625	364
TBRA	520	440	80	0

E. HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA): ONE-YEAR ACTION PLAN

Executive Summary

Program Structure: The Michigan Department of Community Health (MDCH) administers a broad range of health care services to residents statewide, including services targeted to special needs populations. The Department is organized into five administrations: Administrative Officer for Operations; Medical Services Administration; Health Policy, Regulation and Professions Administration; Public Health Administration; and the Mental health and Substance Abuse Administration. The Division of Community Living within the Mental Health and Substance Abuse Administration manages the HOPWA formula grant. The nine project sponsors from the seven state regions serve all areas of the state except the Detroit EMSA (Wayne County) and the Warren EMSA (Lapeer, Livingston, Macomb, Monroe, Oakland, and St. Clair counties). The regions provide tenant-based rental assistance (TBRA), short-term rent, mortgage and utility assistance (STRMU), housing information services, resource identification, permanent housing placement and supportive services.

Objectives and Outcomes:

Goal of HOPWA: To meet the housing needs of low-income persons with HIV/AIDS and their families. The general objective category for HOPWA is **decent housing** and the general outcome category is **affordability**.

Goal for 2007: Regional projects will provide 50 units of tenant based rental assistance (with permanent housing placement assistance) and 250 short term rent, mortgage and utility assistance (with housing information services). An additional 134 people living with HIV/AIDS will be assisted to identify non-HOPWA housing resources. An additional 410 people living with HIV/AIDS but not receiving TBRA or STRMU assistance will receive supportive services.

Evaluation of Past Performance:

During the 2006 program year, the state was granted $877,000 from the U.S. Department of Housing and Urban Development (HUD) for Housing Opportunities for Persons with Aids (HOPWA) program. The Michigan Department of Community Health (MDCH), Division of Community Living assured that comprehensive housing and supportive services was available to meet the needs of people and families living with HIV and AIDS. Regions assured that all persons living with HIV/AIDS (PLWH/A) had access to:

1. Direct Housing Assistance (including rent, mortgage payments, and utilities);

2. Case management for:

    - Helping a person find and maintain housing, including permanent housing placement,

    - Creating links in the community for long range housing solutions, such as participation in planning activities with continuum of care, public housing authorities, and housing coalitions,

  - Connecting persons with HIV/AIDS to generic sources of housing (such as Section 8 certificates), financial support (such as SSI) and service dollars (such as Medicaid);

3. The HOPWA Certificate Program. The purpose of the program was to promote housing permanency/stability through the development of a plan for moving the person from a homeless or emergency situation to a stable housing situation, or to maintain an eligible person in their current housing. This program provided tenant based rental assistance plus case management.

Current Activities

All regions are in the process of adopting the Performance Measurement system as required. Reporting data using the Performance Measurement system will begin with the 3rd HOPWA quarter and be fully implemented October 1, 2006. This will also cause changes in programs, budgeting as well as data collection and reporting.

Staffs from all regions have begun to attend orientation and training sessions to begin implementation of the HMIS system for the HOPWA program.

Accomplishments:

- In 2005, 1655 people received support with HOPWA funds. Of that number, 1,111 received direct housing assistance including 635 persons with HIV/AIDS.

- MDCH provided assistance in increasing the availability of adequate affordable housing for persons living with HIV/AIDS through

  - Administering a HUD Supportive Housing Program Grant;
  - Administering a HUD Shelter + Care Grant;
  - Technical assistance to troubled HUD SHP grantees;
  - Encouragement of local collaborations to increase production of supportive housing units;
  - Encouragement of local collaborations to assure the availability of the maximum number of Section 8 vouchers targeted to people with disabilities;
  - Encouragement of local collaborations on housing development that serves people with special service needs through the low income housing tax credit process;
  - Encouragement of local collaborations on HUD Section 811 units to ensure that adequate services are provided at those units;
  - Participation in the Michigan Affordable Housing Conference to increase the housing IQ of developers, bankers, local officials and service providers

- Administering a Nursing Facilities Transition Initiative, which targeted persons who reside in nursing facilities who either no longer require nursing facility care or no longer wish to remain in a nursing facility; persons exiting hospitals who do not wish to enter a nursing facility or who only require a short-term nursing facility stay. Through this program, assistance in obtaining housing for people in nursing facilities was increased
- Provided Housing Quality Standards training to staff of non-profit agencies, providing housing services using federal funds, through-out the state.

Sources of Funds

In 2007, approximately $300,000 is expected to be leveraged by HOPWA funds.

The HOPWA services are contracted to the nine project sponsors, who are also supported by the HIV-AIDS Prevention and Intervention Division of MDCH, which provides full access to medical and supportive services funded by Ryan White Care Act funds.

Additionally, all regions participate in community planning processes relevant to PLWH/A and housing, including continuum of care planning bodies, human services planning councils and community housing authorities and coalitions. Because the regions serve multiple counties, some local housing specialists participate on several city/county/regional housing coalitions.

The regional HOPWA programs access funds from the Michigan Department of Human Services emergency funds, CARE Act, Salvation Army, Red Cross, Community Action Agencies, Section 8, United Way and other MSHDA and HUD resources to serve their clients. In addition, supportive services are accessed from community mental health agencies, substance abuse treatment centers, transportation authorities and health care providers.

Statement of Specific Annual Objectives:

See Table 3A

Outcome Measures:

Goal of HOPWA: To meet the housing needs of low-income persons with HIV/AIDS and their families. The general objective category for HOPWA is **decent housing** and the general outcome category is **affordability**. See Table 3A.

Method of Distribution:

The HOPWA services are contracted to the nine regional project sponsors, who are also supported by the HIV-AIDS Prevention and Intervention Division of MDCH. The project sponsors are the nine regional fiduciaries serving areas of the state outside the counties listed above. The allocations are based on statistics of people living with HIV/AIDS in each region and assuring that resources are available to those who live in Michigan, no matter where they live. In regions where project sponsors subcontract with other providers a competitive bidding process is used. Each region submits a plan of service annually outlining the characteristics and needs of their populations, how they coordinate with other housing, health care and community services, who they plan to serve and how they plan to spend their allocation. Assurance is provided that HOPWA eligible persons from all parts of the state have access to HOPWA resources.

Allocation Priorities and Geographic Distribution:

Region 2 serves Jackson, Lenawee, and Washtenaw counties in southeastern Michigan. DCH contracts with the HIV/AIDS Resource Center (HARC) to administer services in the region. Region 2 has an estimated 780 people living with HIV/AIDS, of which 522 are reported. Their most recent needs assessment indicated that 17% of the surveyed population report shelter as an urgent concern and 17% report needing assistance with shelter continually. Other priority needs indicated by the needs assessment are: finding safe, affordable housing; advocacy services with community mental health and substance abuse treatment centers; and supportive services (mental health counseling, budgeting services, buddy services, legal assistance and outpatient counseling).

Region 3 serves Allegan, Barry, Berrien, Branch, Calhoun, Cass, Eaton, Hillsdale, Kalamazoo, Saint Joseph and Van Buren counties in southwestern Michigan. DCH contracts with the CARES to administer HOPWA services in the region. Region 3 has an estimated 1140 people living with HIV/AIDS, of which 769 are reported. 75% of Region 3 clients are families requiring assistance with mortgage or rental payment and utilities. Other needs identified by case managers are advocacy (help with securing other types of assistance), home repairs, and supportive services (car repairs, budgeting counseling).

Region 4 serves Clinton, Gratiot, Ingham and Montcalm counties in the mid-Michigan area. DCH contracts with the Lansing Area AIDS Network (LAAN) to provide services in the region. An estimated 570 people are living with HIV/AIDS in Region 4, of which 377 are reported. 36% of all PLWH/A participating in the Greater Lansing HIV/AIDS Community Consortium needs assessment survey indicated housing was an issue of concern for them. Utility assistance was the top unmet need identified by three focus groups. Advocacy with local landlords is another priority issue identified by staff.

Region 5 serves Ionia, Kent, Lake, Mason, Manistee, Mecosta, Muskegon, Newaygo, Oceana and Ottawa counties in western Lower Michigan. DCH contracts with 3 Project Sponsors to administer services for this region. Saint Mary's Health Centers/McAuley Health Center covers Kent county, Hackley Hospital/McClees Clinic covers Muskegon county and the remaining counties are covered by District Health Department #10. An estimated 1370 persons are living with HIV/AIDS in Region 5, with 924 reported cases. Recent needs assessment and gaps analysis indicate the following priority needs: availability and accessibility of subsidized housing including Section 8; assistance with finding and obtaining housing; client advocacy; availability of emergency funds; and mental health counseling, especially in rural areas. The availability of housing assistance and advocacy was a particular issue in the northern/rural areas of the region.

Region 6 serves Bay, Genesee, Huron, Midland, Saginaw, Sanilac, Shiawassee and Tuscola counties in eastern Lower Michigan. DCH contracts with the Genesee County Health Department to administer services in Region 6. An estimated 1040 persons are living with HIV/AIDS in the region, with 703 reported cases. Focus groups conducted by the Region 6 Care Consortium indicated that direct housing assistance and counseling were priority needs.

Region 7 serves 25 counties in Northern Lower Michigan. DCH contracts with the Munson Medical Center to administer services for the region. An estimated 340 persons are living with HIV/AIDS in the region, of which 166 are reported. The priority needs identified are greater availability of quality, affordable housing and Section 8 resources.

Region 8 serves all 15 counties in the Upper Peninsula of Michigan. DCH contracts with the Marquette County Health Department to administer services in the region. An estimated 200 persons are living with HIV/AIDS in the region, of which 79 are reported. The priority need is the availability of affordable housing

Annual Affordable Housing Goals:

See Table 3B

Specific HOPWA Submission Requirements:

See method of distribution above. See statement of annual objectives above.